

Message Text

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CIEP-01 SS-14 STR-01 TAR-01 TRSE-00 USIA-04 PRS-01

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DRAFTED BY ARA/ECP:MDAVILA:MB
APPROVED BY ARA/ECP:WEKNEPPER
EB/ITD/OT:CSCHMIDT (DRAFT)
EB/ORF/FTD:MBOERNER (DRAFT)
STR:SLANDE (SUBSTANCE)
TREASURY:WBARREDA (DRAFT)
USDA:JSTARKEY (DRAFT)
COMMERCE:DSCHLECHTY (DRAFT)
EB/OT/GCP:MGOLDMAN (DRAFT)
USDA:JHARTMAN (DRAFT)
ARA/USOAS:ANOONAN (SUBS)

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TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS

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UNCLAS STATE 220370

E.O. 11652: N/A

TAGS: ETRD

SUBJECT: SCCN CONSULTATION ON BEEF

SUMMARY: THE OAS'S SPECIAL COMMITTEE FOR CONSULTATION AND
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NEGOTIATION (SCCN) HELD A SPECIAL MEETING OF CONSULTATION

IN WASHINGTON SEPTEMBER 30-OCTOBER 1 AT THE REQUEST OF MEXICO TO (A) REVIEW THE RESULTS OF THE SEPTEMBER 9 MEETING ON BEEF HELD IN MEXICO CITY BY MEXICO/CENTRAL AMERICA/PANAMA (THE PRINCIPAL RESULT OF WHICH WAS A MEXICAN PROPOSAL FOR BEEF PRODUCER-EXPORTER ORGANIZATION) AND (B) EXCHANGE VIEWS AND INFORMATION ON THE CURRENT INTERNATIONAL BEEF MARKET. THE MEXICAN PROPOSAL WAS GIVEN A RELATIVELY COOL RECEPTION BY OTHER LATIN AMERICAN DELEGATIONS, BUT THE US DID NOT TAKE AN OPENLY ADVERSE POSITION. THE EXCHANGE OF VIEWS ON THE CURRENT BEEF SITUATION WAS USEFUL, ALLOWING US TO GIVE ITS ANALYSIS OF THE INTERNATIONAL AND DOMESTIC MARKETS, AND PERMITTING THE LATIN AMERICANS TO VOICE SPECIFIC CONCERNS RELATED TO BEEF EXPORTS TO THE US MARKET. A RELATED ISSUE--MEXICAN/CENTRAL AMERICAN/PANAMANIAN REPRESENTATION AT AN AUSTRALIAN SPONSORED MEETING ON BEEF--WAS NOT DISCUSSED IN THE FORMAL SCCN MEETING, BUT A CAUCUS BY THOSE SEVEN LATIN AMERICAN COUNTRIES WAS UNABLE TO AGREE ON A CHAIRMAN FOR A UNIFIED DELEGATION TO THE MEETING AND REFERRED THE MATTER TO THEIR RESPECTIVE FOREIGN MINISTRIES. END SUMMARY.

1. THE SCCN MEETING WAS REQUESTED BY MEXICO IN THE WAKE OF THE SEPTEMBER 9 MEXICO CITY MEETING ON BEEF SITUATION ATTENDED BY MINISTERS OF AGRICULTURE FROM MEXICO, CENTRAL AMERICA, AND PANAMA. MEXICO'S MAIN PURPOSE FOR CALLING THE SCCN MEETING WAS TO PRESENT ITS PROPOSAL FOR A BEEF PRODUCER-EXPORTER ORGANIZATION WHICH HAD BEEN PROPOSED ORIGINALLY AT THE MEXICO CITY MEETING. THE MEXICAN DELEGATION DESCRIBED GENERAL OUTLINES OF THE PROPOSED COMMODITY PLAN WHICH IS ESSENTIALLY A PRODUCER-EXPORTER CARTEL WITH MINIMUM EXPORT PRICES FOR BEEF. MEXDEL DID NOT, HOWEVER, ADDRESS ITSELF TO SPECIFIC ESSENTIAL QUESTIONS, E.G. HOW WOULD MINIMUM PRICES BE DETERMINED AND ENFORCED, PARTICULARLY IN CURRENT OVER-SUPPLY SITUATION. REACTION OF THE LATIN AMERICAN DELEGATIONS WAS RELATIVELY COOL, RANGING FROM REPEATED CENTRAL AMERICAN/PANAMANIAN DISCLAIMERS THAT THEY APPROVED OF THE PLAN (RATHER, THE PROPOSAL AT MEXICO CITY HAD BEEN A SURPRISE AND THEY HAD AGREED ONLY TO STUDY IT) TO THE GENERAL REACTION THAT IT WAS TOO COMPLEX A PROPOSAL FOR ANY REACTION AT THIS TIME AND IT SHOULD UNCLASSIFIED

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BE THE SUBJECT OF FURTHER STUDY BY EACH GOVERNMENT. MEXICO CONCEDED THIS LATTER POINT BUT WAS REBUFFED WHEN IT TRIED TO SET A 30-DAY DEADLINE FOR SUBMISSION OF COMMENTS ON THE PROPOSAL; INSTEAD, IT WAS AGREED THAT THE GOVERNMENTS WOULD SUBMIT THEIR COMMENTS BY YEAR'S END. THE US LIMITED ITSELF TO ASKING SOME GENERAL QUESTIONS ABOUT THE PROPOSAL; WE JOINED IN THE CONSENSUS DECISION FOR GOVERNMENTS TO SUBMIT COMMENTS, BUT DID NOT COMMENT DIRECTLY ON

THE MERITS OF THE PROPOSAL; NOR DID WE JOIN IN THE IMPLIED CRITICISM OF THE PROPOSAL OR OF MEXICAN TACTICS IN BRINGING THE PROPOSAL TO THE SCCN WITHOUT PRIOR DISSEMINATION TO OTHER GOVERNMENTS.

2. THE OTHER AGENDA ITEM, DISCUSSION OF THE INTERNATIONAL BEEF SITUATION, CONSUMED THE MAJOR PORTION OF THE SCCN CONSULTATION. THE US MADE A PRESENTATION OF ITS VIEWS ON THE CURRENT SITUATION OF THE INTERNATIONAL AND DOMESTIC BEEF MARKETS, EMPHASIZING THREE BASIC POINTS: (A) THE GROWING OVERSUPPLY OF BEEF, PARTICULARLY IN VIEW OF IMPORT RESTRICTIONS, ACTUAL OR THREATENED, BY DEVELOPED COUNTRY IMPORTERS; (B) THE WEAKENING OF BEEF PRICES, COUPLED WITH INCREASED PRODUCTION COSTS; AND (C) INCREASED CONSUMER RESISTANCE TO BEEF PRICES IN CONTEXT OF OVERALL INFLATION AND FALLING REAL INCOME. NO QUESTIONS WERE RAISED SPECIFICALLY ON US MEAT IMPORT POLICY; HOWEVER, UNDERLYING LATIN AMERICAN CONCERN RE POSSIBILITY OF US RESTRICTION WAS IMPLICIT IN SOME QUESTIONS. US WAS ABLE TO ASSURE URUGUAY-ARGENTINA THAT US DOMESTIC SITUATION WAS NOT LIKELY TO HAVE ADVERSE IMPACT ON THEIR EXPORTS OF CANNED MEAT, AND THAT PRESENT PROJECTIONS INDICATE NO SIGNIFICANT CHANGE IN US MARKET CONDITIONS FOR IMPORTS OF CANNED BEEF. CONCERNING CENTRAL AMERICAN APPREHENSIONS THAT THEIR EXPORTS OF LEAN BEEF WOULD FACE INCREASED COMPETITION FROM SIMILAR DOMESTIC US PRODUCTION, THE US STATED THAT HIGH COST OF FEED GRAINS WAS CAUSING AN INCREASED SLAUGHTER OF GRASS FED CATTLE AND THAT THE NUMBER OF CATTLE PROCESSED IN FEED GRAIN LOTS HAD DECLINED BY 25 PERCENT IN 1974. THUS, IT WAS POSSIBLE THAT, OVER THE SHORT-RUN, BEEF EXPORTS FROM MEXICO/CENTRAL AMERICA/ PANAMA MIGHT ENCOUNTER INCREASED COMPETITION FROM DOMESTIC PRODUCTION OF LEANER BEEF.

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3. THE SUBJECT OF THE FORTHCOMING AUSTRALIAN-SPONSORED MEETING ON THE INTERNATIONAL BEEF MARKET WAS NOT AN ITEM ON THE AGENDA, BUT MEXICO/CENTRAL AMERICA/PANAMA CAUCUSED TWICE AND DECIDED ON A UNIFIED DELEGATION BUT WERE UNABLE TO AGREE ON A DELEGATION CHAIRMAN. THEY HAVE ADVISED THEIR RESPECTIVE FOREIGN MINISTRIES ACCORDINGLY, WITH THE RECOMMENDATION THAT THE FOREIGN MINISTERS RESOLVE THE ISSUE OF WHO WILL LEAD THE UNIFIED DELEGATION. (FROM CORRIDOR CONVERSATIONS, IT APPEARS THAT MEXICO IS DETERMINED TO HEAD THE DELEGATION, WHILE THE CENTRAL AMERICANS ARE STRONGLY OPPOSED TO SUCH A ROLE FOR MEXICO.) IF THE ISSUE IS RESOLVED, THE AUSTRALIANS THROUGH THEIR EMBASSY IN WASHINGTON WILL BE NOTIFIED OF THE COMPOSITION OF THE PROPOSED DELEGATION WITH THE REQUEST THAT IT BE INVITED TO THE OCTOBER 15-16 MEETING. KISSINGER

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